

FCC DOCKET IB NO. 97-142
AFFIDAVIT OF WILLIAM H. LEHR

1 exploit inefficient settlements rates or to use excess settlement
2 profits to subsidize establishing a presence in US markets is
3 real and significant and could involve substantial long-run
4 losses for the US.


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I hereby swear, under penalty of perjury, that the foregoing is true and correct, to the best of my knowledge and belief.



William H. Lehr

Subscribed and sworn before me this 7 day of ^{July} ~~April~~, 1997.



Notary Public

My Commission expires: _____

BARBARA L. COMEAU
Notary Public
My Commission Expires November 29, 2002

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AFFIDAVIT OF WILLIAM H. LEHR

Exhibit 1

WILLIAM HERNDON LEHR
Curriculum Vitae

PERSONAL INFORMATION:

Residence

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EDUCATION

Ph.D., Economics, Stanford University, 1992.
M.B.A., with distinction, The Wharton School, University of
Pennsylvania, 1984.
M.S.E., Chemical Engineering, University of Pennsylvania,
1984.
B.S., Chemical Engineering, cum laude, University of
Pennsylvania, 1979.
B.A., European History, magna cum laude, University of
Pennsylvania, 1979.

Academic Honors: Graduate Student Research Award,
Telecommunications Policy Research Conference, 1991; Lynde
and Harry Bradley Foundation Fellowship, 1990; Stanford
Fellowship, 1987

PROFESSIONAL EXPERIENCE

Graduate School of Business, Columbia University (New York,
NY), Adjunct Associate Research Professor of Finance and
Economics, 1997-present; Assistant Professor of Finance and
Economics, July 1991 to December 1996.

Internet Telephony and Interoperability Consortium, Center
for Technology, Policy and Industrial Development,
Massachusetts Institute of Technology (Cambridge, MA),
Consultant, January 1997-present.

RAND Corporation (Santa Monica, CA), Graduate Student
Intern, Summer 1990.

Economic Analysis Group, Ltd. (Washington, DC), Senior
Consultant, 1986-1987.

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"Baghdad 2000" Master Development Plan (Baghdad, Iraq),
Economist and Systems Analyst, 1985-1986.

M.C.I. Telecommunications (Washington, DC), Manager of
Financial Analysis, 1985; Senior Financial Analyst, 1984.

Office of Management and Budget, National Security Division
(Washington, DC), Graduate Student Intern, Summer 1983.

Putnam, Hayes and Bartlett (Cambridge, MA), Research
Associate 1980-1982.

TEACHING EXPERIENCE

Economics and Strategy in Media Industries, 1993-1995

Economics of Strategic Management, 1993

Managerial Economics, 1991-1995

Theory of the Firm (teaching assistant for Paul Milgrom),
1989

PAPERS and PUBLICATIONS

"Computer Use and Productivity Growth in Federal Government
Agencies, 1987 to 1992", with Frank Lichtenberg, National
Bureau of Economic Research, Working Paper #5616, June 1996.

"The Political Economy of Congestion Charges in Packet
Networks", with Martin Weiss, forthcoming in
Telecommunications Policy.

"Compatibility Standards and Interoperability: Lessons from
the Internet", in Standards Policy for Information
Infrastructure, edited by B. Kahin and J. Abbate, Harvard
Information Infrastructure Project, Cambridge MA: MIT Press,
1995.

Quality and Reliability of Telecommunication Infrastructure
(editor), Hillsdale, NJ: Lawrence Erlbaum Associates, 1995.

"The Quality of Complex Systems and Industry Structure",
with Nicholas Economides, in Quality and Reliability of
Telecommunication Infrastructure, edited by William Lehr,
Hillsdale, NJ: Lawrence Erlbaum Associates, 1995.

"Compatibility Standards and Industry Competition: Two Case
Studies", Economics of Innovation and New Technology.

"Quality Choices in a Network of Networks", forthcoming in
Private Networks and Public Objectives (Eli Noam, editor),
Columbia University.

AFFIDAVIT OF WILLIAM H. LEHR

"ISDN in the U.S.A.: Is it Arriving at Last?", in *ISDN in the USA, Japan, Singapore and Europe*, edited by Bernd Lange, The European Institute for the Media, forthcoming.

"Compatibility Standards and the Internet", working paper, September 1992,

"Standardization: Understanding the Process", Journal of the American Society for Information Science, vol 43, no 8 (September 1992) 550-555.

"Voluntary Standard Setting, Institutions and the Allocation of Technical Capabilities", working paper, July 1992.

"ISDN and the Small User: Regulatory Policy Issues", with Roger Noll, in Integrated Broadband Networks: the Public Policy Issues, edited by Martin Elton, North-Holland, New York, 1991, 147-178.

"Incremental Costs and the Efficient Pricing of Local Exchange Services: A Synopsis of the Incremental Cost Conference", Center for Economic Policy Research Working Paper #175, Stanford University, January 1990.

"Vertical Integration in the Cable Television Industry: the Issue of Content/Carrier Separation", WD-5100-MF, RAND Corporation, Santa Monica, CA, August 1990.

"ISDN: an Economists' Primer to a New Telecommunications Technology", working paper, February 1989.

WORK in PROGRESS

"Economics of Anticipatory Standard Setting", working draft, presented at the European Association of Research in Industrial Economics (E.A.R.I.E.) Conference, Chania, Crete, September 1994.

"Political Economics of Voluntary Standard Setting", working draft, January 1992.

Exhibit 2: Market Impact of Foreign Entry

"Foreign carrier acquires 10% of US market and stimulates \$0.10 per minute price cut"

	Base case: before entry		Post-entry: after price cut		
	US industry	Foreign Carrier	US industry (except foreign sub)	US-based foreign subsidiary	Foreign carrier
Revenues					
Outbound traffic	\$400,000		\$317,250	\$ 35,250	
Settlements		\$250,000			\$293,750
Resale revenue					
Costs					
Wholesale costs	\$100,000	\$100,000	\$105,750	\$ 11,750	\$117,500
Retail-level costs	\$ 50,000		\$ 52,875	\$ 5,875	
Settlements	\$250,000		\$264,375	\$ 29,375	
Reseller costs					\$117,500
Total Costs	\$400,000	\$100,000	\$423,000	\$ 47,000	
Excess profit(loss)	\$0	\$150,000	(\$105,750)	(\$ 11,750)	\$176,250
Assumptions:					
Minutes outbound ¹	1,000,000		1,057,500	117,500	
Wholesale costs ²	\$0.10				
Retail-level costs ²	\$0.05				
Settlement rate ²	\$0.25				
Wholesale price ²	\$0.35				
Resale price ²	\$0.40		\$0.30		
Elasticity	0.7				
Share US Market	100%		90%	10%	

¹ Price cut of \$0.10 is 25% price cut. With elasticity of 0.7, this stimulates 175,000 additional minutes. For ease of computation this example ignores inbound traffic.

² Per minute.

Exhibit 3 : Market Impact of Foreign Entry via resale

"Foreign carrier acquires 10% of US market and stimulates \$0.10 per minute price cut"

	Base case: before entry		Post-entry: after price cut entry via resale		
	US industry	Foreign Carrier	US industry (except foreign sub)	US-based foreign subsidiary	Foreign carrier
Revenues					
Outbound traffic	\$400,000		\$317,250	\$ 35,250	
Settlements		\$250,000			\$293,750
Resale revenue			\$41,125		
Costs					
Wholesale costs	\$100,000	\$100,000	\$117,500		\$117,500
Retail-level costs	\$ 50,000		\$ 52,875	\$ 5,875	
Settlements	\$250,000		\$293,750		
Reseller costs				\$ 41,125	\$117,500
Total Costs	\$400,000	\$100,000	\$464,125	\$ 47,000	
Excess profit(loss)	\$0	\$150,000	(\$105,750)	(\$ 11,750)	\$176,250
Assumptions:					
Minutes outbound ¹	1,000,000		1,057,500	117,500	
Wholesale costs ²	\$0.10				
Retail-level costs ²	\$0.05				
Settlement rate ²	\$0.25				
Wholesale price ²	\$0.35				
Resale price ²	\$0.40		\$0.30		
Elasticity	0.7				
Share US Market	100%		90%	10%	

¹ Price cut of \$0.10 is 25% price cut. With elasticity of 0.7, this stimulates 175,000 additional minutes. For ease of computation this example ignores inbound traffic.

² Per minute.

CERTIFICATE OF SERVICE

I, Helen Elia, do hereby certify that on this 9th day of July, 1997 a copy of the foregoing "Comments" was mailed by U.S. first class mail, postage prepaid, upon the parties on the attached service list:

/s/ Helen Elia
Helen Elia

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I, Helen Elia, do hereby certify that on this 21st day of August, 1997,
a copy of the foregoing "Comments of AT&T Corp." was mailed by U.S. first class mail,
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